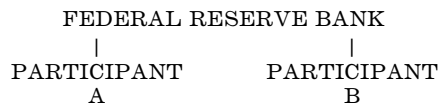


Bank's security interest and grants the Federal Reserve Bank priority over all other claimants (other than the United States pursuant to §357.12(b)).<sup>18</sup> A second method for completing the transaction, as set forth in §357.12(c)(2), would be to take whatever actions are authorized by applicable law. In that case, applicable law is the law of the jurisdiction of the head office of the Federal Reserve Bank. If that jurisdiction had adopted Revised Article 8, it would be the law of that jurisdiction. If that jurisdiction had not adopted Revised Article 8, it would be the law of that jurisdiction as if the jurisdiction had adopted Revised Article 8. Under Revised Article 8, the Federal Reserve Bank's interest would be that of a clearing corporation.

*Hypothetical 4*

**TREASURY**



Assume that Participant A wishes to borrow from Participant B and grant Participant B a security interest in its Security Entitlement in Treasury book-entry securities. As provided in §357.12(c)(2), the transaction would be completed pursuant to applicable law determined in accordance with 357.11. Although such an interest could be recorded on the books of a Federal Reserve Bank under §357.12(c)(1), Federal Reserve Banks generally do not mark their books to record this type of security interest for Participants.

*Hypothetical 5*

**TREASURY**

**FEDERAL RESERVE BANK**

**PARTICIPANT A**

**DEALER A**

**BANK A**

Assume that Bank A wishes to borrow from the Federal Reserve Bank and will pledge its interest in Treasury book-entry securities held at Dealer A to collateralize that loan. The transaction could be accomplished in two ways. Pursuant to §357.12(c)(1), the interest could be created and perfected on the books of a Federal Reserve Bank. Such a transaction would take place in the following fashion. Bank A could have Dealer A instruct Participant A to deposit securities to a pledge account specified by the Federal Reserve Bank. The Federal Reserve Bank likely would create an account on its books and specify that account to Bank A as the account to receive Bank A's interest in Treasury book-entry securities. Participant A, upon receiving Dealer A's instructions, would then instruct the Federal Reserve Bank to debit its account at the Federal Reserve Bank and credit the account created by the Federal Reserve Bank. The second way the transaction could take place is by any method permitted by the law of Dealer A's (Bank A's Securities Intermediary) jurisdiction. This could involve a tri-party agreement among the Federal Reserve Bank, Dealer A, and Bank A. As set forth in §357.11(b)(1), that agreement likely would specify which jurisdiction's law is to govern the transaction and could specify that such choice of law supersedes any other choice of law agreement previously entered into by Dealer A and Bank A. If Dealer A's jurisdiction has not adopted Revised Article 8, the applicable law would be the law of Dealer A's jurisdiction as it would be amended by Revised Article 8.

[61 FR 43631, Aug. 23, 1996, as amended at 62 FR 43284, Aug. 13, 1997; 63 FR 69191, Dec. 16, 1998]

**PART 358—REGULATIONS GOVERNING BOOK-ENTRY CONVERSION OF BEARER CORPORA AND DETACHED BEARER COUPONS**

Sec.

358.0 What does this part cover?

358.1 What special terms apply to this part?

358.2 What regulations cover these securities?

358.3 Are there any bearer corpora or detached bearer coupons that are not eligible for conversion?

<sup>18</sup>In certain limited circumstances, a Federal Reserve Bank may enter into an agreement under which it agrees to record on its books an interest in Participant's book-entry securities in favor of a non-Participant, such as a governmental entity. Under these circumstances, the non-Participant would have a perfected security interest with priority over other claimants (other than the United States under §357.12(b)). It should be noted that, as set forth in §357.12(c)(1), there is no requirement that either the United States or a Federal Reserve Bank agree to creation and perfection of a security interest in this way, except as provided in §357.12(c)(1).

## Fiscal Service, Treasury

## § 358.1

- 358.4 Which bearer corpora or detached bearer coupons are eligible for conversion to transferable BECCS or CUBES securities?
- 358.5 Which bearer corpora or detached bearer coupons are eligible for conversion to non-transferable BECCS or CUBES securities?
- 358.6 What is the procedure for converting bearer corpora and detached bearer coupons to book-entry?
- 358.7 Where do I send my bearer corpora and detached bearer coupons to be converted?
- 358.8 Are there fees for the conversion of bearer corpora or detached bearer coupons?
- 358.9 Who is responsible for the cost and risks associated with the shipment of securities?
- 358.10 How are amounts of less than one dollar credited?
- 358.11 What is required to establish the authority of a depository institution to request conversion?
- 358.12 What is Treasury's liability if the depository institution does not have authority to convert securities?
- 358.13 What is Treasury's liability if the depository institution incurs a loss because it does not follow required procedures?
- 358.14 What happens when securities are accepted for conversion?
- 358.15 What happens if securities are adjusted?
- 358.16 Are BECCS and CUBES accounts maintained separately from the STRIPS program?
- 358.17 Can BECCS and CUBES securities be reconstituted to physical form?
- 358.18 What limitations exist on liability?
- 358.19 Who is responsible for any loss resulting from the conversion of a bearer corpus missing callable coupons?
- 358.20 Can these regulations be waived?
- 358.21 Can these regulations be amended?

AUTHORITY: 12 U.S.C. 391, 31 U.S.C. Ch. 31.

SOURCE: 65 FR 65701, Nov. 1, 2000, unless otherwise noted.

### § 358.0 What does this part cover?

(a) This part applies to the conversion to book-entry of United States Treasury bearer corpora and detached bearer coupons.

(b) These instruments are accepted from depository institutions for conversion under the Bearer Corpora Conversion System (BECCS) and Coupons Under Book Entry Safekeeping (CUBES) programs.

(1) For coupons converted after November 1, 2000, these regulations supersede the terms and conditions governing CUBES set forth in the written

“Agreements to the Terms and Conditions Governing CUBES” signed by depository institutions that previously participated in the CUBES program.

(2) Depository institutions that submit bearer corpora and detached bearer coupons are deemed to agree to the terms and conditions in this part and any other requirements we may prescribe.

### § 358.1 What special terms apply to this part?

*Bearer security* means a definitive security payable to the bearer on its face at maturity or when called for redemption before maturity in accordance with its terms. Ownership of a bearer security is not recorded. Title to the security may pass by delivery without endorsement or notice. The only remaining unmatured bearer securities are bearer bonds.

*BECCS* means the Treasury's Bearer Corpora Conversion System.

*BECCS security* means a United States Treasury bearer security converted to book-entry form and held in BECCS.

*Callable* means a United States Treasury security subject to call before maturity.

*Callable Coupons* means the coupons associated with a callable security that are due after the date the security is subject to call.

*Conversion*, as used in this part, means a change in the form of a security from definitive form to book-entry form.

*Corpus* (plural corpora) means the principal portion of a United States Treasury bearer security.

*Coupon* means a definitive bearer interest instrument associated with a United States Treasury bearer security.

*CUBES* means the Treasury's Coupon Under Book-Entry Safekeeping program.

*CUBES security* means a definitive coupon detached from a United States Treasury security and held in CUBES.

*Definitive security* means a security held in paper form.

*Depository institution* means:

(1) Any insured bank, mutual savings bank, or savings bank as defined in 12 U.S.C. 1813, or any institution eligible